


Government of the District of Columbia
Office of the Chief Financial Officer



Jeffrey S. DeWitt
Chief Financial Officer

MEMORANDUM

TO: The Honorable Phil Mendelson
Chairman, Council of the District of Columbia

FROM: Jeffrey S. DeWitt
Chief Financial Officer 

DATE: March 18, 2016

SUBJECT: Fiscal Impact Statement – Home Purchase Assistance Program
Amendment Act of 2016

REFERENCE: B21-481, Draft Committee Print shared with the Office of Revenue
Analysis on March 15, 2016

Conclusion

Funds are sufficient in the fiscal year 2016 through fiscal year 2019 budget and financial plan to implement the legislation.

Background

The Department of Housing and Community development runs the District's Home Purchase Assistance (HPAP) program, which provides interest-free loans of up to \$50,000 and closing cost assistance of up to \$4,000 to qualified first-time homebuyers. The payment on the loan is deferred for the first five years and amortized over 40 years.¹

The bill increases the maximum loan amount to \$80,000.² It also allows the Mayor more flexibility for considering other repayment options including a longer deferral period, deferral until refinancing or resale, or the use of graduated payments for borrowers who are considered as very low income (under 50 percent of Area Median Income).

Financial Plan Impact

Funds are sufficient in the fiscal year 2016 through fiscal year 2019 budget and financial plan to implement the bill.

¹ The maximum first trust loan amount cannot exceed \$417,000, the conventional conforming loan limit.

² Amount of Financial Assistance, 14 DCMR § 2503.1(b).

The Honorable Phil Mendelson

FIS: B21-481 “Home Purchase Assistance Program Amendment Act of 2016,” Draft Committee Print shared with the Office of Revenue Analysis on March 15, 2016

In fiscal year 2015, the District had set aside \$4.1 million in local funds and \$5.4 million in federal funds to support these loans, but spent only \$7.4 million. In fiscal year 2014, it spent even less—approximately \$6.5 million—even though it had a similar budget.

The number of HPAP loans have been also been declining in recent years. The total number of loans approved in fiscal year 2015, at 214, was below the loan activity in the 2011 to 2013 period, when the District, on average, supported 254 loans and spent \$8.4 million. The biggest decline in the loan activity has been for the very low-income group (under 50 percent of Area Median Income).

Increasing the maximum loan amount will likely increase the loan activity and overall expenditures. However, given that the District has not been able to fully spend the local and federal monies it sets aside for these loans, this cost can be absorbed in the Department’s existing budget. Additionally, these loans are not entitlements. Should the demand for them exceed the available budget, the Department of Housing and Community must ration them according to priority policies it already has in place.³

³ According to DHCD, applications are prioritized to provide loans for very low or low income, elderly, handicapped, disabled or displaced District residents, then to other eligible District residents, then to non-residents who have been employed in the District for one year prior to application, and finally to non-residents who have lived in the District for three consecutive years as an adult.